African Communist

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With the promulgation of the Mineral and Petroleum Resources Development Act (MPRDA) in 2004, the ANC-led government appeared to take a major step forward in realising the Freedom Charter's call to restore the wealth of our country to the people as a whole. In terms of this Act, ownership of the "mineral wealth beneath our soil" was nationalised, ownership of all mineral resources was transferred to the state, acting (at least in theory) as custodian of these resources on behalf of the people of SA as a whole. Henceforth, in order to have the right to mine, actual or aspirant mining companies were required to apply for "new mining rights". A new mining right entitled the corporate holder to a 30-year operational licence, but it no longer bestowed any private ownership over the resource itself. In exchange for a mining licence, mining companies were obliged to fulfil certain requirements as stipulated in the Act.

On the face of it, this was a major revolutionary step forward. But this important advance was seriously compromised from the very start. While there were several requirements to be met in exchange for a new mining right, a 15% black equity stake by 2009 and a 26% target by 2014 tended to trump everything else. As we will elaborate in some detail below, this narrow "black economic empowerment" (BEE) equity requirement has introduced many anomalies. Among other things, billions of rands of public money held, for instance, by the Public Investment Corporation (PIC), have been consumed in driving a narrow BEE mining sector programme. The potential leverage embodied in the MPRDA's nationalisation of our mineral resources in the ground has largely been squandered in this way. In fact, a narrow BEE focus has actually set back the real transformation of the critical mining sector and, therefore, the overall transformation of our economy. Key strategic goals – including the inter-related challenges of job creation, industrialisation through (amongst other things) increased beneficiation of our natural resources, addressing environmental sustainability, and generally placing our economy onto a new growth path - have all tended to be side-lined, undermined, or entirely displaced by the predominance of this narrow BEE focus.

This is why it is absolutely essential to locate the question of transforming the mining sector within the wider context of our overall strategic objective of placing our country onto a new job-creating and more egalitarian growth path. It is critical always to ask: in whose class interest is a particular intervention? How do we use the MPRDA's nationalisation of our mineral resources in the ground as leverage, now, to expand ever greater and more genuine social ownership and control over the use of those resources? As we will argue in the course of this intervention, there is no simple answer to this question. Certainly, greater state ownership and control over our mineral resources is one important aspect of an overall strategy that is required. But unless state ownership and control is integrally linked into a broader transformational agenda, we might find that "nationalisation" simply advances the narrow interests of an emergent black capitalist stratum while barely troubling the profit-maximising interests of incumbent mining houses. This has, unfortunately, largely been our experience since the MPRDA's well-intentioned 2004 "nationalisation" of the mineral resources beneath our soil.

It is time for a major review of our policies in the mineral sector. But before we consider mining more specifically, it will be useful to locate the debate on mining within its wider context.

The SACP's strategic perspective

The SACP is committed to building a socialist SA in which our society and its economy are shaped around meeting the social needs of our people. To realise this socialist ideal we need to increasingly roll back and eventually defeat a system of accumulation in which social (including environmental) needs are marginalised and often brutally suppressed in the pursuit of maximising private profit.

In South African conditions, the most direct route to a society prioritising social needs is by way of a radical national democratic revolution as envisaged in the Freedom Charter. After 1994 and the defeat of the apartheid state, the NDR entered into a new phase. This was a phase in which the principal task became (or SHOULD have become) the transformation of a semi-colonial capitalist growth path, hard-wired into our society by over a century of imperialist-dominated, semi-peripheral capitalist development. For reasons to be elaborated below, after 1994 there was a general failure to pursue the new strategic task of the NDR. It is imperative that we now regain the ground lost and that we focus our movement and our people on the core task of the NDR in the post-1994 phase. Transforming the mining sector to bring it under increasing democratic public control is one important aspect of this core task.

For the SACP a radical NDR is our minimum programme. Our strategic objective is socialism, and a key condition for achieving a socialist economy will be democratic public control of strategic sectors of the economy. One, but not the only, important means for achieving such public control will lie in state ownership, supported by other forms of social ownership and control, including ownership by the direct producers themselves, through, amongst other things, a vibrant cooperative sector.

However, state ownership of strategic sectors of the economy will only advance our NDR (and socialist) objectives if the state in question is transparent, disciplined, democratic and increasingly aligned to transformational and developmental objectives. Or, to put the same assertion in a different form – the state would need to be under increasing hegemony of the working class and poor.

State ownership can be (and often has been) used to advance the interests of private accumulation by a minority. Indeed, there are many examples in which state-ownership has been used to intensify the super-exploitation of workers and the oppression of all popular strata. This is a point that we will elaborate upon in subsequent sections of this intervention.

The 1996 class project and the background to the present nationalisation debate

To correctly appreciate the current debate around the mining sector we need to understand better the recent policy debates and differences within the ANC and the alliance it leads. In particular, we need to understand what has been at stake in the opposition to what the SACP and Cosatu have described as the "1996 class agenda". At the heart of the 1996 class agenda was a two-fold strategic programme:

- The restoration of economic "growth" (i.e., in effect, growth along the same basic semi-colonial path as before) after a decade of apartheid economic crisis and decline; and
- The promotion of a new black capitalist stratum that would, supposedly, co-own and co-manage the economy with established capital, thus supposedly "helping us" to achieve our national democratic objectives.

Both aspects of this strategic programme represented major departures from the core historical objectives and ideals of our NDR. The Freedom Charter quite correctly called for the abolition of all racial limitations on the right "to trade…to manufacture and to enter all trades, crafts and professions". But the Freedom Charter also subordinated this basic right to the overall challenge of restoring the wealth of our country to our people as a whole. The Freedom Charter NOWHERE speaks of the creation of a new black capitalist stratum as a strategic objective.

Of course, the emergence of a stratum of black capitalists was always likely to be a natural outcome of the removal of racist barriers in our society (at least as long as SA still remained a capitalist society). However, for the first time ever in the history of our liberation movement, the "1996 class project" elevated a subsidiary outcome of democratisation, a by-product of de-racialisation, into a key strategic objective of the "NDR" itself.

The 1996 class agenda contained within it the seeds of many contradictions. Among the major inherent contradictions within this "1996 class project" was the inevitable tension between:

- the requirements for r**estoring South African capitalist accumulation** back to its traditional growth path after a decade of deepening crisis in the last years of apartheid, on the one hand; and
- **the primitive accumulation process** required for establishing a new stratum of black capitalists (aspirant capitalists without capital), on the other.

The first objective required that the new political stratum use state power to create an investor-friendly environment, to facilitate conditions for major South African corporations to expand regionally and internationally, to take a tough line on the budget deficit (i.e. reduce the tax "burden" on the bourgeoisie), and to address "bottle-necks" that had built up during the last 15 years of apartheid rule. It also required the stabilisation of a bourgeois "rule of a law", the guarantee of property rights, and "sound" political management of the state (i.e, "sound" as assessed by the "markets" and their soothsayers, the international ratings agencies and transnational auditing firms). This objective also required the marginalisation of the left within the ANC and its broader alliance. The second process was faced with the challenge of how a stratum of aspirant capitalists was to accumulate capital in order to become capitalists. Two interlinked strategies have been pursued:

- The **statutory levying of capital from the existing bourgeoisie** through BEE legislation, notably the BEE Codes, and other BEE-related state-driven interventions - in essence this amounted to a marriage of convenience between elements of the new political caste and established capital. In exchange for the lobola of "market friendly" state policies of the kind noted in 9 above, established capital agreed, with varying degrees of reluctance and sincerity, to release a portion of ownership stakes to the new elite.[1] This leg of the primitive accumulation drive has been fraught with weaknesses. Targets are seldom met. Not all of the aspirant capitalists without capital can be accommodated, and many of the BEE beneficiaries have been sold marginal operations (like many of the BEE mines – see the current Aurora Empowerment Systems disaster). Much of BEE capital is also typically highly-leveraged, that is, heavily indebted capital.

Much of this capital is held in the form of shares on loan, requiring re-payment over a fixed period and subject to the fluctuations of the stock market. BEE capital is also typically not productive – but rather capital taken out of productive circulation, and therefore out of job-creating investment. Moreover, risk vests not with those upon whom the shares have been bestowed, but on the vendor (i.e. the incumbent capitalist company seeking to be "BEE compliant") and on the banks backing the deal. This encourages BEE beneficiaries to accumulate risk-free, zama-zama deals rather than to focus on productive entrepreneurial activity. For all of these reasons, this BEE capitalist stratum often does not, and cannot, play the full role of a capitalist class in its own right. Its ownership role is often nominal (fronting), and its active managerial role in the productive investment of capital is limited. These are the reasons we have described it as having "compradorial" tendencies – i.e. it often acts as little more than a go-between, representing the interests of big capital (both domestic and international) in local deals, particularly state tenders. The conclusion that we should draw from this is not that we should now intensify our efforts to have a "genuine" black capitalist stratum as an important strategic objective of the NDR – but rather that any attempt to elevate the creation of such a black capitalist stratum as a strategic priority of the NDR inevitably reinforces the hegemony of established capital in our country. It is THEIR game, not our NDR.

- If the statutory levying of capital from the existing bourgeoisie has been one source of BEE capital, then the unabashed **looting of public resources** has been the other. Like all emergent capitalists before them – from the modernising landowners of 17th century England who enclosed the commons, to the Randlords of South Africa in the late 19th and early 20th centuries – our own emerging black capitalists have often shown scant regard for the niceties of law, or respect for public property and resources. Over the past decade and a half, there has been a massive diversion of public resources, using state procurement whether on a grand scale (as with the arms deal) or on the micro, local government level. Tenderpreneurship, javelin throwing, import fronting, privatisation deals, and inflated managerial "performance" bonuses and golden-handshakes in parastatals, have also been key mechanisms for this kind of primitive accumulation. Some of this has had the sanction of "law". Much of it has been plain corruption.

It is easy to see how, sooner or later, the 1996 class project would run into a series of internal contradictions, particularly between the requirements of upholding a bourgeois rule of law that would meet the approval of Ernest & Young and their kind, on the one hand, and the inherent lawlessness implicit in a primitive accumulation process parasitic on the state and public resources, on the other. Particularly from around 2005, the contradictions between the interests of those who were now more firmly established as capitalists (and who were happy for a

blind eye to be turned on the probity of their own earlier accumulation) and those who felt they had not yet sufficiently arrived began to play themselves out within the ANC and government. It was also not accidental that many of these contradictions internal to the 1996 class project were to centre around the question of the "rule of law", and around what constituted, or did not constitute "corruption". The leading personalities associated with the1996 class project were unable to maintain stability among the contradictory forces that they themselves had unleashed. This was a key contributory factor to their defeat, notably at the ANC's Polokwane 2007 national conference.

Post-Polokwane and the new tendency

As we have said before, the forces propelling this defeat were themselves not united. On the one hand, the SACP, Cosatu and many others within the ANC attempted to advance a systematic critique of the reformist *policies* of the 1996 class project. On the other hand, there were those whose opposition to the circle around former President Mbeki was rooted not in policy considerations, but in petty personal rivalries, thwarted business and political ambitions, and a sense of injustice that the rule of law was being bent for others, but not sufficiently for them. The current ideological battle-lines within the ANC lie, essentially, between those for whom the ousting of the Mbeki group was about creating the conditions to change policy, and those (the "new tendency") for whom the ousting was about clearing more space for their own turn at the primitive accumulation feeding-trough.

We are now in a better position to understand why not all of the recent calls for the "nationalisation of the mines" are what they might seem to be. In the last eight months or so, those forces most vociferously associated with the call for the nationalisation of the mines, are also the same forces who appear to be involved in private accumulation by way of questionable state tenders and the apparent abuse of public resources. These forces who are making a call that appears to be left-wing and radical, are at the same time leading a virulent anti-communist and anti-trade union sectarian agenda. Why the paradox? The answer lies in the fact that for these forces nationalisation is intended to serve essentially the purposes of narrow BEE primitive capitalist accumulation.

Beneath the pseudo-socialist rhetoric, this basic fact often inadvertently slips out. For instance, this is how one comrade recently contextualised his call for "nationalising" the mines:

> *"Today these diamonds are so bright, they are colourful – we refer to them as white people. Maybe this colour came as a result of exploiting our*

minerals. Perhaps if SOME of us can get the opportunities of these minerals we can develop a nice colour and look like them."

Apart from exposing chauvinistic prejudices, the sentiments articulated here are remote from any progressive agenda. They are rooted in envy of white capitalists and in an agenda of enabling "some of us" to emulate their life-styles (life-styles based, of course, on the continued super-exploitation of the majority).

Marxism and the question of nationalisation

Marxists have never asserted that state ownership, per se, is an inherently progressive or socialist measure. In the late 19th century, and particularly after the capitalist crisis of 1873, Marx and Engels noted the tendency for new forms of capitalist enterprise and capital concentration to emerge. Apart from joint-stock companies and trusts, this process of capital concentration also involved the state taking ownership of key sectors of the economy.

"the official representative of capitalist society – the state – will ultimately have to undertake the direction of production. This necessity for conversion into state property is felt first in the great institutions for intercourse and communication – the post office, the telegraphs, the railways." (Engels, "Socialism: Utopian and Scientific", 1880).

Engels was very clear that, in this case, state ownership was NOT about abolishing capitalism.

On the contrary:

"the transformation…into state property, does not do away with the capitalistic nature of the productive forces… The more it [the bourgeois state] proceeds to the taking over of productive forces, the more does it actually become the national capitalist, the more citizens does it exploit. The workers remain wage-workers – proletarians. The capitalist relation is not done away with. It is rather brought to a head." (Engels, ibid.) [2]

In the course of the 20th century, state-owned corporations were to be a feature of both socialist and capitalist systems. What Engels, perhaps, could not have known in the 1880s was that capitalist accumulation could also result in the reversal of state capitalism through privatisation. Many of the "great institutions for intercourse and communication" that Engels referred to ("the post office, the telegraphs, the railways"), whose original infrastructure construction costs had ne-

cessitated bourgeois state ownership (i.e. making them part of a national debt), were later to be privatised.

In the last few years, in particular, we have also seen the inverse occurring. In the midst of the global capitalist crisis, many leading capitalist states have actively intervened once more to nationalise parts of their economies facing collapse, notably in the banking sector.

Fannie Mae does a full circle

In the US, the low-cost housing mortgage entity, the Federal National Mortgage Association (FNMA) – commonly known as Fannie Mae – has been through a full cycle of state-ownership, to private-ownership, and back again to effective state-ownership. It was founded in 1938 in the midst of the Great Depression as a state-funded mortgage association. Its mandate was to restore liquidity into the lower end of the capitalist housing market. It was an important plank of President Roosevelt's "New Deal" designed to rescue capitalism in the US. In 1968, at the height of capitalism's golden era, Fannie Mae was privatised and turned into a stock-holder corporation. Following the 2007 sub-prime housing crisis, Fannie Mae was, once more, effectively re-nationalised by George W Bush Jnr.

What all of this serves to illustrate is that there is no necessary straight line of progressive evolution from private ownership to state ownership to socialism. State ownership is a legal form, but the mere fact of state-ownership doesn't tell us what kind of state we are dealing with. Nor does it tell us what actual class function within the cycle of production and reproduction a state-owned sector is playing in any given economy and at any given time. Hitler's Nazi Germany, Mussolini's fascist Italy, and Verwoerd's apartheid South Africa all had extensive state ownership of key sectors of the economy.

Once upon a time our gold mines were actually nationalised…and without compensation!

It is now usually forgotten that the gold mines in today's Gauteng were actually once taken over by the state and without compensation! During the Anglo-Boer War (1899-1902) with the Randlords decamping to London and funding the British imperial army, President Kruger's Transvaal Republic commandeered the gold mines and ran them on a scaled-down basis. One of the reasons for the Randlords supporting the war and a British take-over of the Transvaal had been the allegation that the Boer republic was "too soft" on the black labourers on the mines. Despite this allegation, Kruger's government managed to depress the starvation wages of black workers on the nationalised mines still further, to one pound a month.

In short, state ownership can serve many different class agendas.

The mining sector in South Africa

Mining is an extractive industry that depletes non-renewable natural resources. Sooner or later mineral deposits are exhausted, or become unprofitable to mine for various reasons, including the increasing depth of the deposit, or the lower grade of the ore, or the energy costs involved in extraction or in pumping out water. In addition to and related to these challenges, mining as an economic sector is particularly vulnerable to both the **"Dutch Disease"** and the **"Resource Curse".**

The Dutch disease and the resource curse

"Briefly, Dutch Disease refers to the deindustrialisation of a nation's economy in response to the discovery of a natural resource. The wealth generated by this discovery appreciates the nation's currency, thereby undermining the competitiveness of that country's (manufactured) tradeables sector. The Resource Curse refers to a broader (more political) set of harmful effects. In addition to Dutch Disease, the Resource Curse considers how resource abundance can trigger corruption, distributional conflicts, rent-seeking behaviour and so on." (from Jonathan W Moses, *"Foiling the Resource Curse: wealth, equality, oil and the Norwegian state"*, in Omana Edigheji (ed.), Constructing a democratic developmental state in South Africa, HSRC Press, 2010, p.141)

In some key mineral sectors, notably gold, mining in South Africa has passed its heyday. In recent commodity booms, both immediately before and after the global recession (2007/8), South Africa's gold mines were unable to respond to rising prices with increased levels of output. But in the strategic platinum minerals group SA has some 90% of known global reserves and, according to a recent Citigroup analysis SA is second in the world in terms of (non-energy) mineral reserves (estimated at some 165 years), and first in the world in terms of the value of known (non-energy) mineral reserves. Far from being a "sunset" sector, mining remains a key pillar within our economy.

In the 1970s mining contributed around 14% to GDP. It is now down to 8% direct (and an estimated further 10% indirect) contribution to our GDP. But mining still employs around 500,000 workers (and indirectly contributes, perhaps, to another 500,000 jobs). More than 50% of the country's merchandise exports are from mining. About 9% of gross investment, and close to 30% of capital inflows into the economy are in mining. In addition, beneficiation (basically of coal) is responsible for 93% of our electricity generation capacity, and about 30% of our liquid fuel

supply (through SASOL). While in the last three years SA has lost its century long position as number one world producer of gold (it is now third), we have 90% of the world's platinum group metals reserves, 80% of the world's manganese reserves, 73% for chromium, and 45% for vanadium. We also still have abundant coal reserves. By any account, the mining sector remains a very significant strategic asset for our country.

And it is precisely in this context that we need to appreciate the Freedom Charter's clarion call to make the mineral wealth beneath our soil the shared wealth of all our people. But how?

In order to better understand how we can move progressively to realise the objectives of the Freedom Charter, it is important to understand some other features of mining in SA.

Corporate restructuring to 'release share-holder value'

More than ever, our mining sector is deeply integrated into the global capitalist economy. Precisely because of the historical dominance of the mineral-finance-energy sector in our economy and the relative weakness of the manufacturing sector (a symptom of the "Dutch Disease" that has impacted upon our economy for over a century), the great bulk of our mining commodities are exported relatively unprocessed. This makes the viability of the sector vulnerable to global economic downturns (as witnessed in the recent global crisis), and also to other factors largely beyond our control (for example, the value of the Rand relative to other major currencies).

These external vulnerabilities and the related historical neglect of downstream local beneficiation have generally worsened over the last 15 years as a result of major corporate restructuring in the mining sector. Exploiting post-1994 local liberalisation measures and pursuing global corporate restructuring trends to "release share-holder value" and to "focus on core business", the major mining houses in SA have been involved in a complex process of mergers, acquisitions, divestitures and unbundlings, and even strategic liquidations. As a result, formerly South African mining houses have become even more integrated into transnational corporate operations, a process that has seen:

- In some cases, the shifting of headquarters and primary stock exchange listings off-shore;
- Major investments in mining operations in other countries (including in Colombia, Ghana, Angola, and in the ruthless scramble for the DRC). In at least some of these cases, the motivation for focusing outside of SA has little to do

with better mineral reserves, but with weaker labour and environmental legislation; and
- The "streamlining" of operations – including the selling-off of marginal mines, increasing corporate specialisation in particular mineral sectors, and the dismantling of pyramid structures.

This last aspect of restructuring has also seen the dismantling of what had previously been multi-sectoral up-and down-stream integrated corporate structures – in which big mining houses also had major "upstream" interests in finance and chemicals (originally for the explosives required) and multiple "down-stream" interests in manufacturing and services. This restructuring, justified in terms of "realising shareholder value", and, therefore, of being able to attract the vast sums of capital required for mining, has played a major role in the de-industrialisation (and job loss) processes that have afflicted our manufacturing sector over the past 15 years.

ArcelorMittal versus Kumba Iron Ore

One of the vestiges of the former horizontal up- and down-stream corporate interconnectedness is playing itself out at present in the battle between ArcelorMittal SA and Kumba Iron Ore. Both of these entities trace their origins back to the formerly state-owned Iscor. After privatisation (in 1989) Iscor continued to own and operate ore mines and steel plants. In 2001 Iscor was unbundled into separate private corporate entities involved in mining (Kumba Resources) and steel (the current ArcelorMittal). As part of the restructuring deal, it was agreed that Kumba would supply ore to ArcelorMittal at 3% above production costs. At the time this was a favourable deal for both. But in the past months, with China and other global manufacturers gearing up on their iron ore stocks, Kumba could be getting up to 40% more for its ore on the global market. Naturally Kumba wants to walk away from its deal with ArcelorMittal, but this would have dire consequences for local jobs and local supplies of steel. Meanwhile ArcelorMittal is also not an angel – it is being threatened by Kumba with precisely what it has been guilty of: charging local manufacturers inflated steel prices based on the global market price (and even marking up on it).

The divestiture of marginal mines has, as we have noted, also been a feature of the accelerated corporate restructuring process underway over the past 15 years. Selling off marginal mines, or even going into tactical liquidations relieves former owners of costly rehabilitation responsibilities and problematic worker retrenchment challenges. Over the recent past this kind of divestiture has also had the additional advantage that it can be cynically trumpeted as "black economic empowerment", allowing "new entrants" into the sector.

Current legislation introduced by the ANC-led government imposes (at least in theory) strict responsibilities on mine-owners for dealing with underground water pollution and water decontamination – although a recent newspaper report indicates that some 120 mines are operating "legally" with mining licences but without water management clearance certificates. To dodge the responsibility of managing waste water, in addition to phoney BEE deals, some of the major corporations have been involved in complicated restructuring processes in mines affected by underground water challenges – one shell company after another "purchases" the mine, and while profits are shipped off-shore, it becomes increasingly difficult, legally, to recognise who the actual owner of the offending mine is.

All of this corporate restructuring in the mining sector, in order to "maximise share-holder value", means that nationalising the mining houses as a means to realise key strategic, developmental goals has become considerably more complicated. Simply taking over existing restructured corporate firms with a view to implementing greater beneficiation, for instance, has become considerably more challenging.

Nonetheless, what ARE the reasons for advocating the nationalisation of the mines?

Possible objectives of state ownership of mines

When we advocate for the nationalisation of the mines, we often do so for a range of different reasons. Arguments advanced for nationalisation of the mines include:

- **Increased revenue for the state.** Why pay dividends to private shareholders (many of them not even living in SA)? Why not nationalise and let the state be the share-holder? Mine-derived dividends could then be redistributed into social programmes, for instance:
- **Increased beneficiation** – if the state owned the mines, then we might be able to ensure that there was increased beneficiation of our minerals. This would have a positive spin-off in terms of job creation and it would help with our trade balance.
- **Social objectives** – there are also a range of different social objectives that could, in principle, be better addressed if the state were the owner of our mines. These include:

    - the huge, multi-billion rand task of **environmental rehabilitation**, including the very pressing problem of water pollution related to a century of mining operations . In principle, a developmental state guided by social objectives

would be better placed to address this huge social challenge, as opposed to a profit-maximising private mining corporation.

- **job preservation and social programmes**. As an extractive industry that sooner or later depletes a resource, mining, particularly in mature sectors, presents many challenges for job security and for social programmes, including reskilling, etc.
- **mine safety** – profit maximising operations are always liable to cut corners on worker safety. This is a particularly important challenge in a sector that is as physically demanding as mining.
- **community participation and local and Southern African development** – surrounding communities (and rural communities supplying labour to the mines – including neighbouring countries) often do not benefit or benefit only marginally from mining operations. State ownership of the sector could, in principle, be used to drive a more balanced local and regional developmental agenda.

All of these are, in principle, perfectly legitimate reasons for nationalising the mines. However, the first point to be noted is that these different reasons for nationalising are potentially mutually contradictory. Seeking to maximise public revenues through dividend flows, for instance, using the mines as cash-cows for the state's coffers is likely to introduce perverse managerial incentives. If, as a mining SOE manager, you are under pressure to produce a sizeable dividend for your (public-sector) share-holder, you are likely to resent the potentially costly effort of ensuring down-stream beneficiation, or the meeting of social responsibilities. We already have many examples of such perverse incentives in our existing SOEs like Eskom and Transnet.

Interestingly in Venezuela's state-owned petroleum company there are currently quite sharp struggles under way between the senior management stratum (under a political mandate to maximise revenues for the state) and workers (under an equally important political mandate of maximising worker democratic hegemony within the public sector).

An even bigger challenge applies, however, irrespective of the specific primary motive for nationalising mines. How would the state acquire ownership? As things stand, constitutionally, we would be obliged to buy-out existing share-holders in an industry that is currently estimated to be valued at around $US 250bn. Of course, it is more likely that we would go for a selective and incremental process of nationalising, rather than an attempt to buy the whole sector out in one go. An incremental approach certainly needs to be vigorously explored in detail and there are a number of possible avenues to be assessed. However, the challenge of affordability would still persist, as would the question as to whether the dividend

revenue stream flowing to the state would, for instance, effectively compensate for the price paid (including the likely debt repayments incurred).

If, on the other hand, a social objective like environmental rehabilitation was the key strategic aim of a particular nationalisation exercise then the question arises – why should we exempt those who have made profits over decades from the responsibility of clearing their mess? Why should we place this burden onto the public sector? Part of a response to this is, unfortunately, that in many cases the real beneficiaries of a century and more of rapacious mining have long since disappeared (South Africa is estimated to have some 6000 abandoned mines), or palmed off the problem to "new entrants" – see the Aurora case. There may well be situations in which in the national interest the state will have to take over "ownership" in order to ensure that, for instance, key water resources are not irreparably lost. But this would be a case of a defensive nationalisation and would come at a huge cost to the fiscus – but the alternative might be too ghastly to contemplate.

Any proposed mine nationalisation would, in short, need to carefully consider each specific case and carefully identify what exactly are the key priorities we are trying to achieve. These might vary from one mining operation to another, and from one corporate entity, or mineral sector to another. In some cases, state-directed beneficiation processes might be more promising, in others less so. We would also always have to ask whether the costs involved to the state (and therefore to the public) were the correct priority for what is always likely to be an extremely expensive purchase, given many developmental challenges confronting the national fiscus.

And finally we would always need to ask whether we could not achieve many, or all of the strategic objectives through OTHER forms of state intervention and popular mobilisation besides state ownership of mining corporations as such – eg. through more effective taxation, including windfall taxes based on fluctuations of commodity prices, or a similar super-profit tax (as is being proposed in Australia, for instance), or making beneficiation investments part of the requirement for obtaining a mining licence (some of these proposals will be touched upon in the final section).

What about expropriation without compensation?

What about following in the footsteps of President Kruger and simply expropriating without compensation? There are many persuasive **moral** reasons for arguing that those operations that have bled our country dry over a century should now be expropriated without compensation. However, we should remember that

nowadays share-holders in our mining sector include multi-billion dollar local and international workers' retirement funds, or Chinese state funds, for instance. So it wouldn't be a simple case of happily expropriating only Randlords and their direct class offspring.

Expropriation without compensation would also be met with a major investment-strike [3] and while we should never allow ourselves to be intimidated by "market sentiment", we would need to bear in mind that ownership of a mine is one thing, operating a mine typically requires ongoing major capital inputs. This is a hard truth that Aurora Empowerment Systems and their unfortunate workers on their Orkney and East Rand mines are now discovering. It is also a hard truth that we have experienced with one of our current state-owned companies – Alexkor. Alexkor has lacked the capital to carry out detailed and effective surveying of its holdings and this has been one factor why it has battled with sustainability, and fallen behind its private sector competitors.

None of these challenges are raised with a view to arguing that "nothing can be done" to transform the mining sector as part and parcel of the overall transformation of our economy and society. On the contrary, we are raising these challenges so that we are better able to debate and guide the struggle for a comprehensive national democratic revolution and transition to socialism that is strategic and sustainable. In the concluding section of this intervention we will propose some concrete steps to be taken for the transformation of the mining sector in SA – including an increased state ownership.

But before we get there, it is necessary to return to one other reason, which we have already alluded to, that is often the real underlying motivation for some of the current "nationalisation" calls, namely advancing the primary accumulation interests of a narrow BEE capitalist stratum.

BEE and the mining sector

In October 2002 stakeholders in the mining sector reached agreement on a charter for the sector. The charter came into effect in May 2004, following the enactment of the Mineral and Petroleum Resources Development Act. In terms of this Act, companies with mining rights had to apply to the Department of Minerals and Energy (now Mineral Resources) for "new-order mining rights". To receive new-order rights, companies had to achieve 15% black ownership within 5 years and 26% in 10 years.

Government has awarded all companies new-order rights, but with the 5-year mark already passed it is doubtful that the sector has remotely met its 2009 target of

15%. One economic analyst specialising in the mining sector, Duma Gqubule recently estimated that the gross value of black shareholders in the listed platinum sector, for instance, was "R30,7bn or 7,95% of the sector's total market capitalisation." (*Business Day,* 12th April 2010). (That figure will have diminished even further since Gqubule's survey, with Mvelaphanda Resources' announcement in early May of a R2.2bn sale of shares in Northam Platinum to the Kazakhstan-based minerals group ENRC).

As Gqubule notes, the 7,95% figure is also distorted by the fact that a large chunk of it is represented by the somewhat anomalous pre-charter Royal Bafokeng Nation shareholding in Impala Platinum (Implats), which at R19,9bn accounts for 65% of the 7,95% of the platinum sector's BEE capitalisation.

Even before the onset of the global capitalist crisis in 2007, many BEE mining interests were in trouble as a result of their high levels of indebtedness and also as a result of many being positioned within marginal mines. With the collapse of commodity prices from 2007 through to early 2010, the entire mining sector was adversely affected. Given their vulnerability, BEE mining interests were especially impacted.

The case of Mvelaphanda Resources and Kazakhi Economic Empowerment!

Among those seriously hit by the recession was Mvelaphanda Resources (Mvela). By last year it found itself with a whopping debt of R4-billion around its neck. In order to rescue itself (or rather the financial interests of its major share-holders), Mvela has been scurrying around looking for buyers. According to mining analyst Jim Jones:

"Mvela's initial idea was to sell its 50 million Gold Fields shares for R5,5 billion or so, repay the debt, use what remained to follow a Northam rights issues, raise money to finance turning Northam's Booysendal platinum prospect into a pro*ducing mine and finally distribute the Northam shareholding to Mvela's own shareholders." (Business Times, May 2, 2010).* Mvela sold some 16 million Gold Fields shares, enabling it to repay around R1,86 billion of its debt, but at the beginning of 2010 Gold Fields shares tumbled and this made further sales less viable. And so, Mvela then reverted to trying to sell off R2,2 billion in Northam. This is the context of the R2,2 billion sale of shares by Mvela to the Kazakhstan-based ENRC, noted above. Jones summarises this whole sorry process as follows: *"Nine years after its founding by Tokyo Sexwale, Mvela is arguably the most prominent BEE failure. It has been twisting and turning for well over a year to get off the hook of crippling debt and, indirectly, to help those of its BEE shareholders who have borrowed to finance their shareholdings."* The R2,2billion sale to ENRC will certainly have helped the BEE

share-holders, and it has probably played a role in narrow KEE (Kazakhi Economic Empowerment), not to mention LEE (London economic empowerment – where ENRC is listed). But has the sale advanced the South African public interest? While the Mvela Resources story might be “the most prominent BEE failure”, it is certainly not out on its own. Gqubule, for instance, writes that:“everyone in the industry knows that Incwala, Lonmin’s R4,5bn ‘black-owned’ offspring, has gone bust. In the year to September 2009, Lonrho suffered a 50% (or 1,2bn) revenue col*lapse, a loss of 129m and retrenchments. This had a huge effect on Incwala, whose future is now uncertain.”* (Business Day, *12t April 2010).* [4]

BEE lobbying for ‘nationalisation’

This background now helps us to understand much better some of the paradoxes of the recent “nationalisation” debate. Many months before the ANCYL president began publicly to campaign on this ticket, forces closely linked to the ANC (and to some of the corporations noted above) had quietly begun to lobby for government to nationalise the platinum sector.

It was for this reason that, in December, and in response to the ANCYL, the SACP, while supporting the principle of nationalisation, warned that in the current conjuncture it could simply be a ploy to bail-out indebted BEE interests, diverting billions of rands of public funds to serve the interests of a narrow black (and white) capitalist stratum.

Notwithstanding his own intimate knowledge of the sector, mining analyst Duma Gqubule, in a report commissioned by the SA Mining Development Association (an initiative of BEE mining companies), wrote: “We reject with utter contempt the illogical view of the SACP that state ownership in mining is a ploy to bail out BEE shareholders. In the case of the listed platinum sector there are no BEE shareholders to bail out at holding company level.” (quoted in *Business Times,* 28 March, 2010)

We have no interest in picking a quarrel with Gqubule who has, indeed, been advancing some interesting proposals around possible directions for state-ownership in mining to drive industrial policy objectives. However, it is disingenuous of Gqubule to use “holding company participation” as a reason to throw doubt on the fact that there are indeed BEE (and non-BEE) shareholders in the platinum sector who over the last year have been actively courting “nationalisation” in order to bail themselves out. While Gqubule’s own statistics quoted above show that black share-holding in platinum was around R30,7-billion, and while that “only” represented 7,95% of the total listed share-holdings, it is still not an insignificant sum,

particularly if it is encumbered, i.e. a debt that you are battling to pay off so that you can take your capital and speculate somewhere else.

Gqubule has suggested that a "quickwin" nationalisation for government would be to use the Public Investment Corporation, our public sector fund-manager (holding R820bn from the Government Employees Pension Fund), to increase its share in Implats (the second largest platinum miner in SA) to 13,5% at a cost of about R6-billion. This, together with the Royal Bafokeng Nation holding would give the state together with "black" capital a majority share-holding. Gqubule does not explain why he is so sure that the strategic objectives of the state and those of the Royal Bafokeng Nation coincide, and therefore why this would amount to "nationalisation", or a positive use of R6billion of public money. [5]

But nationalisation of the mines and/ or the use of major public funds, like the PIC, as a means for bailing-out debt-ridden BEE capital are not the only reason why some sectors of aspirant BEE capital have been supporting the idea of nationalising the mines. Senior officials in NUM report being lobbied by colleagues from within black management circles asking: "But why don't you support the nationalisation of the mines? If government takes over the mines they will turn to us to run them." Perhaps this kind of query is based on a genuine desire to enter the SOE sector in order to advance the developmental agenda of the ANC-led government. But, then again, it might be motivated by pervasive primary accumulation ambitions.

So why is Gqubule so dismissive of the SACP's position on this matter, when he actually knows better? Part of an answer might lie with who sponsored his research (the BEE mining association, SAMDA). On a more generous but related note Gqubule's confusion is certainly rooted in a major conflation that is constantly made between the interests of our country at large and the interests of a narrow stratum of "new capitalists"; between the interests of blacks in general and a few thousand beneficiaries of what has come to be codified as "black economic empowerment"; between hundreds of thousands of public sector employees and the Royal Bafokeng Nation, between real patriotism and the self-interest of a narrow elite that has crowned itself as a "patriotic bourgeoisie".

For many BEE-aligned analysts, when they speak of "the failures of BEE" they mean, primarily, the failure of established capital to meet statutorily required share-holding percentages. They call for more pressure to be put on private capital.

They call for the state to be more robust in its measurements of BEE. But the time has come to pose different questions regarding the "failures of BEE".

What positive contribution, if any, are BEE ownership quotas in mining making to our developmental agenda?

Let us suppose that, in the mining sector, all black ownership quotas had been met by 2009 – would that have advanced our strategic objectives? Would our economy now be on a more job-creating growth path? Would we be beneficiating more of our minerals? Would addressing environmental rehabilitation be more advanced, and the crisis of mine-waste polluting Gauteng's drinking water have been averted? We are not suggesting that there is a simple answer to these questions. But the time has come to remove the taboo on asking them.

Linked to these questions is a further question – why, sitting as we do on what Citigroup estimates to be the largest non-energy mineral resources in the world (an estimated $25 trillion), has SA responded relatively sluggishly to the commodity boom occasioned particularly by the rise of China and India? Over the past 15 years, Brazil and Australia have both increased their export of iron ore, for instance, by some 400%. SA by contrast has only increased its export iron ore output by around 25%. According to one commentator: *"The mining industry in SA is not in crisis as such. Plenty of minerals get produced and metals constitute the largest slice of South African exports. But the industry just hasn't grown an inch in constant terms in more than a decade."*[6] No doubt several factors are at play in SA's relatively sluggish response to the global commodity boom – ageing gold mines, for instance. We also have stricter labour legislation, and safety and environmental regulations than in some other countries – and these are often cited by mining corporations as reasons why they invest elsewhere. We should certainly not compromise on these matters and, in any case, they don't explain why Australia or Brazil (with comparable or even stricter labour market, safety and environmental legislation in place) have responded so much more effectively to the commodity boom. Because of their complicity in narrow BEE, and because they fear to undermine their privileged links into key government departments, the mining houses have been coy about raising openly what is, perhaps, the key reason for their relative reticence in moving aggressively with new mining investments and operations in SA – the 15% (going up to 26%) levy on capital and therefore on profits implicit in the BEE ownership target. Of course, if it can be shown that the multi-billion rand BEE mining ownership stake benefits our country as a whole then we should disregard the gripes of the big mining corporations, and live with the consequences of their relative lack of vigorous operational investment in our country. If, however, the drive to ensure a narrow BEE 26% ownership stake in mining is itself having a whole range of perverse impacts on our economy in addition to discouraging major private sector investment then surely we need to open up the whole area to further scrutiny and debate.

Expanding democratic public control over the mining sector - the way forward

Mining depletes non-renewable natural resources. The key strategic question for any country with a strong dependence on mining is, therefore, how to use this resource in ways that ensures it is leveraged to place the country on to a sustainable developmental path beyond the time when the resource is exhausted or too costly to exploit. A particular challenge with mining, as we have already noted, is the Resource Curse and the related Dutch Disease – over-reliance on mining is liable to reproduce a weak manufacturing sector, and resource booms are fraught with dangers of corruption and rent-seeking behaviour.

This means, in our case, that the question of how to carry forward the transformation of the mining sector cannot, and should not be taken in isolation from our overall national democratic strategic priority. That key strategic priority (which we have agreed upon within the Alliance and in government) is the imperative of placing South Africa on to a new growth path that is job-creating and more egalitarian in its outcomes.

Any major intervention in the mining sector, including possible nationalisation, needs to be justified in terms of how it will advance and be integrated into this key strategic objective. A major problem with the way in which much of the debate around nationalising the mines has proceeded recently has been that it has been approached as if it were a standalone matter.

A key component of the strategic task of placing our country onto a new growth path is the Industrial Policy Action Programme (IPAP). The transformation of the mining sector needs to be aligned with and integrated into IPAP. At present, the section dealing with mining in IPAP remains fairly general, and it requires further detailed elaboration. This is an important priority, and some of the measures proposed below need to be incorporated into this section of IPAP.

At the 52nd ANC national conference in Polokwane we resolved on the consolidation of a state mining house. Some partial work has been undertaken in government to identify state mineral holdings, both in terms of actual parastatal mining entities (like the African Exploration Mining and Finance Corporation and Alexcor) and in terms of share-ownership through the PIC, IDC, Limdev, etc. This work needs to be expedited. Critically we need to evaluate what lessons (positive and negative) can be learned from the current state and parastatal participation in mining. How can we consolidate and develop a coherent strategic approach using the state and parastatal sector? Critical to the establishment of a state mining house will be the clear identification of its strategic mandate and priorities. The limited experience so far suggests that there is very little coherence from the public sector in regard to

mining activities. Insofar as there is a common strategic thread running through public mining entities like African Exploration Mining and Finance Corporation, then it appears to be activism on behalf of primitive accumulation for BEE capital.

A directionless African Exploration Mining and Finance Corporation?

The AE was launched by the former Department of Minerals and Energy in October 2007 as a wholly state-owned mining corporation. Ownership is exercised through the Central Energy Fund. AE is exempted from the provisions of the Minerals and Petroleum Resources Development Act. As such, it was launched with prospecting rights in the Witbank and Wakkerstroom coal fields. However, in a recent Business Day interview (February 17, 2010), the CEO, Sizwe Madondo, conceded that AE had very little in-house capacity ("three geologists, three mining engineers and a chief operating officer"). It is a moot point as to whether the state should become involved in the highly risky exploration business in the first place. (In the exemplary case of North Sea Oil, for instance, the Norwegian state while retaining full ownership of the resource, deliberately left the risk of exploration to the private sector.) However, in any case, AE does not appear to be seriously involved in exploration. In another interview in 2007 *(www.cef.org.za),* Madondo is quoted as saying *"African Exploration is…in discussions with other mining companies, especially BEE groups, to form joint ventures. Exploration is expensive and a risky business and does not guarantee success, hence we are in discussions for joint ventures."* This appears to suggest that the original strategy behind AE was to have an energy-focused state mining entity able to bypass the requirements of the Act in order to fast-track acquisition of prospecting rights whose risks but also potential profits could be shared with BEE partners and others. The original energy (and hence coal) focus of AE was clearly aligned with the fact that it is 100% owned by the Central Energy Fund. Since its launch, the Minerals and Energy Department has been split into two departments, Mineral Resources and Energy. The CEF falls under the Energy Department. Notwithstanding these reconfigurations, in recent times AE appears to be contemplating straying beyond an energy-related mineral focus. In the same February 2010 interview, Madondo is quoted saying: *"Although coal and uranium were the company's main focus for now… there were opportunities in other metals such as nickel, manganese and platinum"*. All of this suggests a public entity without a clear sense of its strategic mandate, or of why it is reporting to an Energy Department via the Central Energy Fund. This impression was reinforced early in 2010 with reports that AE had used its exemption from the Act to acquire improbable prospecting rights for tin, zinc and silver in the Tygerberg and Stellenbosch areas. While AE appears to have abandoned these plans, they were widely suspected of being a covert BEE land-grab of prime wine-lands estates.

A related task is to assess what role has been played/is being played by the ***PIC*** and our Developmental Finance Institutions (like the IDC) in the mining sector. How, if at all, are their investments in the sector aligned with our growth path and IPAP priorities? In the recent past, most of the PIC's share-holder activism appears to have been related to narrow BEE objectives. We need to set different strategic objectives for public fund investments in mining (and other sectors of our economy) – notably job-creation, beneficiation, environmental responsibility, etc.

The Minerals and Petroleum Resources Development Act (2002) marked an important potential step forward in realising the objectives of the Freedom Charter. Essentially this legislation made government the custodian of all mineral resources beneath our soil on behalf of the people of South Africa. All existing mining houses and all new aspirant miners have to apply to the state for 30-year mining licences. While this legislation was a major step forward, the time has now come to review it and amend it. In particular, we need to strengthen the requirements for acquiring licences – placing much more emphasis on downstream beneficiation, job creation and other social responsibilities.

The bizarre case of Limdev and ASA Metals…or how BEE trumps public ownership in legislation

Limpopo Economic Development Enterprises (Limdev) is the development arm of the Limpopo Provincial Government. It owns a 40% stake in ASA Metals, a chromite mining and ferro-chrome smelting company. A Chinese company, East Asia Metal Investment Company, owns the other 60%. In terms of the Minerals and Petroleum Resources Development Act, Limdev must sell 30% of its 40% stake in order to enable ASA Metals to be BEE compliant, and therefore obtain new order mineral rights. In other words, a PUBLIC entity (Limdev), at least nominally holding a share of a company on behalf of ALL the citizens of Limpopo (who are overwhelmingly black), does NOT count as a BEE entity! Following a cabinet decision to halt further privatisation of state-owned mining interests, Mineral Resources Minister, cde Susan Shabangu, ordered Limdev to halt the sale in August 2009. The Limpopo provincial government, citing the legislation, has apparently ignored this instruction and proceeded with the preliminaries for the sale. What is more, originally Limdev had proposed to reserve 12,5% of its 40% stake for the Ga-Maroga community living in the vicinity of the mine. The Limpopo provincial government appears now to have dropped even this gesture to a local community in favour of selling off the entire 30% to a variety of narrow BEE consortiums, including Tunache Investments led by Irvin Khoza and Ronnie Ntuli.

This example of the conflict between the Minerals and Petroleum Resources Development Act and cabinet's decision (in line with the ANC's Polokwane "state

mining house" resolution) to halt further privatisation of existing state-owned mineral resources underlines a bigger issue. It is not just a question of reviewing and amending the MPRD Act, it is also the broader question of **BEE ownership quotas** in the minerals (and, no doubt, other) sectors. What practically by way of job creation and the radical transformation of our growth path has been achieved through these quotas?

In its presentation to a recent Parliamentary hearing on the Mining Sector, the National Union of Mineworkers proposed that from 2014, the licensing process should be restructured, prescribing that new mining rights should be awarded on the basis of the following ownership profile:

- 49% share-holding to a private investor ("irrespective of race and gender");
- 31% share-holding to a new State Mining Company;
- 10% share-holding for Employee Share Ownership Schemes;
- 10% share-holding for Community/Traditional Authority or Worker Co-ops.

The SACP should strongly support, in principle, the critical shift that this NUM proposal makes. It marks a key move away from privileging narrow BEE primitive accumulation, focusing, instead, on worker and community empowerment, and it takes seriously the establishment of a State Mining Company. There are, however, practical challenges that need to be considered. Will this ownership model enable us to raise and sustain the volumes of operational capital required to expand our mining sector? For these reasons, we propose that a licensing formula of the kind proposed by NUM should be implemented strategically and on a case by case basis, rather than in a blockbuster fashion that exposes the public sector to unsustainable debt and runs the risk of undermining the expansion of productive mining activity. There is also the vexed question of how "community" share-holding is actually realised. With some arguable exceptions, "traditional authority" and "community" ownership schemes divide communities and are often manipulated by mining corporates and BEE interests for their own ends. A 49% private ownership (as proposed by NUM) can be tipped into a majority control through this kind of manipulation. We propose that local government share-holdings through municipal public entities are, in principle, a more empowering and democratic avenue to be explored.

The NUM parliamentary presentation contains other important proposals – in particular "**taking Mining Licensing and Applications to the Department of Trade and Industry**" and placing the new "**State Mining Company…under the direct responsibility of the Department of Mineral Resources and not Public Enterprises**". In particular, this proposal has the merit of providing the institutional

means for a stronger alignment between mining licensing and our industrial policy strategies.

A **windfall tax regime** in the mining sector (of the kind that the SACP has proposed for SASOL) must be introduced. Norway has used its oil resources to run up a major sovereign fund, a national reserve to be stored away for when the oil runs dry. Australia is in the process of introducing a “super profits” tax (of up to 30%) on its mining sector, so that the country benefits as a whole from times when there is a major commodity export boom. Australia’s minerals profile is somewhat different from that of SA’s, and it has benefited from its close geographical proximity to China and India. Cost of transportation, our energy costs with deep level mines, etc. all need to be factored into our own situation. However, global commodity prices are subject to enormous variation, and in boom times we should impose windfall taxes on sectors that are reaping mega-profits – after all, it is the public fiscus that is bearing the brunt of providing the transport and energy infrastructure required for mining whether in good or bad times.

An **international platinum cartel.** Generally, terms of trade are unfavourable to primary commodity producing countries (i.e. historically, the price they realise for the primary commodities they export declines relative to the price they pay for the manufactured goods they import). However, there are some current debates about whether this necessarily still applies – especially with the huge demand for (at least some) mineral commodities on the one hand and the related flooding of the international market with cheap manufactured goods particularly from Asia on the other. Australia, for instance, has focused on being a primary commodity (and high-end services) exporter to Asia and an importer of manufactured goods. Whether this is a sustainable strategy for SA is doubtful. However, as OPEC has proved, it is possible to buck the trend of unfavourable terms of trade by establishing an international cartel. SA (with nearly 90%) and Russia together control virtually 100% of the world’s platinum group minerals. We should strongly consider establishing a platinum cartel with Russia in order to maximise our benefit as country from this critical strategic resource.

We must increase **worker hegemony** in the mining sector. Over many decades of struggle, important victories have been won in terms of union rights. On the safety front, NUM has succeeded in imposing a joint worker/management co-determination model. These are important socialisation steps, in which management’s unilateral prerogatives have been reduced. There are many other worker challenges on the mines – including social plans, cooperatives for retrenched workers, and long-term development plans for mining communities and rural areas that are major suppliers of mine labour. We need to connect government’s rural development strategic priorities with our worker organisation and worker demands on the mines.

We also need to review and assess the experience with worker ESOP's. NUM has, correctly, insisted on a clear separation between ESOPs and BEE ownership schemes.

The role of South African mining companies outside of SA, and especially within sub-Saharan Africa, cannot be left to "the markets". A recent NGO study has, once more, severely criticised South African mining houses (including many with strong "BEE" credentials) for their gross human rights abuses in certain sub-Saharan countries. There are also allegations that some "BEE" mining houses have played a role in fuelling armed conflict in the DRC. Part of the "1996 class project" was to use state diplomacy, including presidential delegations, to promote South African capital (and notably BEE capital) within our region. We need now to critically evaluate the role of SA mining houses in our region and assess what can be done. We should certainly support job creation, industrial development and technological transfers within our region as part of an increasingly integrated regional developmental programme. Achieving this and the related placing of our own country onto a new developmental path involves defeating the sub-imperialist role that many South African corporations continue to play within our region. South African regional trade and business diplomacy cannot simply consist in the uncritical promotion of South African capital regardless of its actual role and impact on our region.

Development corridors - Finally, working closely with our neighbours, we need to ensure that the infrastructure required by mining operations (rail, road, water, energy) increasingly has an integrated developmental impact. The historic tendency is for mining infrastructure simply to service mining enclaves and the export of raw commodities through the nearest port. Especially, but not only, for green-fields mining developments in southern and sub-Saharan Africa, we need to carefully assess optimal routing and the general features of, for instance, rail and road networks so that other economic sectors (for example, small-scale cashew nut farmers in Mozambique) benefit as "hitch-hikers". The potential downstream developmental role of mining is not confined to the beneficiation of mining products.

Conclusion

The opening up of a debate on the "nationalisation" of the mines is to be welcomed. It has enabled us all to take a fresh look at this key sector of our economy – a sector that all too often is erroneously described as a "sunset" industry in its totality. We have argued in this discussion paper for the accelerated consolidation of democratic public control over mining in our country. We have also argued that nationalisation (state ownership) is one important potential means for realising this

strategic objective. However, on its own, nationalisation is too narrow a prism for approaching the totality of tasks required for the effective transformation of mining, and indeed of our economy as a whole. We have also noted how nationalisation can serve very contradictory class interests. In particular, we have used the example of how the MPRD Act's nationalisation of the minerals beneath our soil has been largely hijacked and leveraged to serve the narrow primitive accumulation interests of an emergent black capitalist stratum. We need to amend the Act so that this nationalised resource is now used to advance the well-being of all our people through our key strategic objective – placing our economy on to a new job-creating and egalitarian developmental path. We also need to ensure that any further augmentation of state ownership (in the operational side of mining, as proposed above for instance) equally advances this overall strategic objective.

Endnotes

1. Jenny Cargill estimates that at least R500 billion has been allocated to BEE, largely in the form of indebted shares. This compares with the less than R150 billion spent on low cost housing and land reform, for instance (Cargill, *Trick or Treat. Rethinking Black Economic Empowerment*, Jacana, 2010 p.xiii).
2. While recognising that this kind of state ownership advanced (rather than transformed) capitalism, Engels nonetheless believed that it represented the "final" phase of capitalism, and that it laid the "technical" basis for an advance to socialism. Developments in the 20th century were to show that this prediction made in 1880 was overly optimistic and evolutionist in character.
3. When the Department of Minerals and Energy (now Mineral Resources) produced a first draft of the Mining Charter in October 2002 suggesting 50% BEE ownership as a target, the value of listed mining stock lost R56 billion in two days, and the JSE lost R99 billion in the following week (Cargill, p.60).
4. In May 2010 with platinum prices on the global market beginning to recover, Cyril Ramaphosa's Shanduka Resources "bought" a 50,03 percent shareholding in Incwala. This share-holding was acquired basically with money put up by Lonmin. According to one commentator "Lonmin is playing bank. If the loan gets paid back, then I am happy. Plenty of these BEE deals have run into trouble because of market conditions…Incwala was effectively bankrupt." (see Business Report, May11, 2010, "Shanduka buys into platinum"
5. Gqubule's proposal to use the PIC comes precisely at a time when the Government Employees Pension Fund Board has had to step in to clip the wings of the PIC following its R6bn investment to help the BEE cement company AfriSam to finalise its deal with the Swiss company Holcim in 2008. At the time, the PIC's move raised eyebrows, partly because such a large amount of public money was being used to aid a company, AfriSam whose share-holders included former President Mbeki's close associates, among them one senior staffer in the

presidency. Not only did the PIC investment raise questions around probity, but with the decline in the cement industry as a result of the global recession, the PIC (and therefore the government employees' pension fund) lost R2,2bn as a result of this strategically misguided approach to "transformation" (see Business Day, 6th May 2010).
6. Tim Cohen, "A Venezuela moment in SA's noble quest for change", Business Day, June 24, 2010

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